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WISCONSIN
FEDERAL MILK ORDER BULLETIN



for the
Milwaukee, Northeastern
and Madison Marketing Areas
C. T. McCleery - Market Administrator

JANUARY 1965

REFERENDUM ON CHICAGO AMENDED ORDER

Less than the required two-thirds of all votes in the recent referendum were in favor of having the amended order issued for Chicago. Producers had been given an opportunity to vote for or against a proposed amended order, No. 30, to regulate the handling of milk in the Chicago, Illinois marketing area.

Consequently, Acting Secretary Charles S. Murphy has issued a notice of intention to suspend or terminate the present Order No. 30. While this move is being considered, persons may submit data, views or arguments in connection with such termination order.

The amended proposal came from hearings held during 1963 and the final decision issued November 30, 1964.

FEDERAL ORDER MILK FROM 45 STATES

During 1963, handlers subject to Federal milk marketing orders received milk from producers in 45 States. The volume of milk from these producers accounted for nearly one-half of the milk sold to plants and dealers in the United States. Federal order plants were the recipients of all deliveries from producers in Arizona, New Mexico, and Rhode Island; in 5 States - Montana, Oregon, South Carolina, Alaska, and Hawaii - no producers delivered milk to handlers under Federal orders.

The primary sources of milk for most Federal order markets were the State or States in which the marketing area was located. In December 1963, 57 markets received more than 90 percent of their milk from the one or more States included wholly or in part in the (to page 8)

— DATA IN BRIEF - FOR THE MAN IN A HURRY —

<u>DECEMBER 1964</u>	<u>Milwaukee Order No. 39</u>		<u>Northeastern Wis. Order No. 45</u>		<u>Madison Order No. 51</u>	
Class I Price & Differential	\$3.93	7.5¢	\$3.87	7.8¢	\$3.93	7.5¢
Class II Price & Differential	\$3.29	6.8¢	\$3.29	6.8¢	\$3.29	6.8¢
Producer Price & Differential	\$3.81	7.3¢	\$3.63	7.4¢	\$3.77	7.3¢
Pounds of Producer Milk	75,887,291		40,836,277		23,051,356	
Percentage in Class I	82.6%		59.4%		75.2%	
<u>JANUARY 1965</u>						
Class I Price & Differential	\$3.93	7.1¢	\$3.83	7.4¢	\$3.93	7.1¢

UNIFORM PRICES AND COMPUTATION

PRODUCER PRICES FOR DECEMBER 1964

Milwaukee Wisconsin Marketing Area
Federal Order No. 39

Minimum prices per hundredweight to be paid on or before the 15th of each month to producers for 3.5% milk, f.o.b. plant. These prices are subject to a butterfat differential per point over and under 3.5% and to a deduction of 2 cents per hundredweight for marketing service for nonmembers. In the case of members of approved cooperatives, these prices are subject to the deductions authorized by the associations.

The prices listed below do not include any premium payments which may be paid by handlers and which may bring actual payments in excess of minimum requirements.

Name of Handler	Minimum Pay Price	B.F. Dif'l
Blochowiak Dairy	\$3.78	7.3¢
The Borden Co.	3.82	7.4
Cedarburg Dairy, Inc.	3.88	7.4
Christiansen's Dairy	3.82	7.4
Fairmont Foods Co.	3.86	7.4
Gehl Guernsey Dairy	3.69	7.2
Golden Guernsey Dairy	3.80	7.3
Harmony Dairy Products	3.80	7.3
Hawthorn-Melody Farms	3.79	7.3
Healthway Dairy, Inc.	3.84	7.4
Home Dairy	3.90	7.4
Keystone Farms	3.79	7.3
Krueger Dairy	3.90	7.5
McFarlands' Farm Dairy	3.75	7.2
Milk Producers Coop.	3.83	7.4
Mullen's Dairy	3.84	7.4
Progressive Dairy Prod.	3.78	7.3
Pure Milk Association	3.91	7.4
Roets Home Dairy	3.76	7.3
Schroeder Dairy	3.84	7.4
Sealtest Foods	3.79	7.4
Vande Kolk Dairy	3.87	7.4
Warren Dairy	3.86	7.4
Wayside Dairy	3.92	7.5
West Side Dairy, Inc.	3.83	7.4

WEIGHTED AVERAGE 7.3¢

Weighted Average of Producer
Prices for Information Purposes: \$3.81

DECEMBER 1964

Producer Milk in Class I

Producer Milk in Class II

Total Milk and Value Before Adjustments

Adjustments for Value of:

Overage Deducted from Classes I & II

Beginning Inventory Reclassification

Other Source Milk Deducted from Class I

Butterfat More or Less than 3.5 Percent

Plant Location Differentials

Half of Producer-Equalization Fund

Aggregate Value and Average Price

Reserve to Producer-Equalization Fund

Uniform Price to Producers for 3.5% Milk

* Subject to location differentials. These minimum pay

MANUFACTURING PRICES AND

Year and Month	92 Score Butter Chicago	Cheddar Cheese Wis.	Spray Dry Skim	Basic Formula Price	Handler B'fat Dif'l C.I* C.II
1963	cents	cents	cents	dol.	cents
Dec.	58.01	35.12	14.24	3.16	7.0 6.7
1964					
Jan.	57.97	35.25	14.32	3.16	7.0 6.7
Feb.	57.97	35.12	14.26	3.17	7.0 6.7
Mar.	57.97	34.19	14.25	3.16	7.0 6.7
Apr.	57.97	33.81	14.19	3.15	7.0 6.7
May	57.97	33.70	14.22	3.12	7.0 6.7
June	57.97	33.75	14.24	3.12	7.0 6.7
July	58.00	33.75	14.23	3.11	7.0 6.7
Aug.	59.51	34.38	14.30	3.12	7.0 6.8
Sep.	61.32	36.31	14.30	3.15	7.1 7.1
Oct.	60.47	36.75	14.29	3.24	7.4 7.0
Nov.	62.27	36.75	14.23	3.27	7.3 7.2
Dec.	59.24	36.75	14.20	3.29	7.5 6.8
Jan. '65				3.29	7.1

*Exception, Order 45 is .125 x the butter price (Col. 1) for the preceding month. January is 7.4¢.

OTHER PRICE DATA

OF UNIFORM PRICES

Northeastern Wisconsin Marketing Area Federal Order No. 45				Madison Wisconsin Marketing Area Federal Order No. 51			
Pounds of Milk	Average B'fat Test	Price at Test	VALUE	Pounds of Milk	Average B'fat Test	Price at Test	VALUE
24, 238, 961	3.659418	\$3.995337	\$968, 428.23	17, 337, 923	3.557485	\$3.940825	\$683, 257.24
16, 597, 316	3.863179	3.536962	587, 040.69	5, 713, 433	4.359761	3.874638	221, 374.82
40, 836, 277			\$1, 555, 468.92	23, 051, 356			\$904, 632.06
			149.98				263.86
			125.65				14.04
			-				9, 186.13
			-73, 200.29				-44, 099.22
			-301.15				8, 454.05
			17, 344.92				8, 944.91
		\$3.672196	\$1, 499, 588.03			\$3.812593	\$887, 395.83
		.042196	-17, 231.17			.042593	-18, 359.71
		\$3.63*	\$1, 482, 356.86			\$3.77*	\$869, 036.12

prices do not include any premium payments which may be paid by handlers.

FEDERAL ORDER PRICES FOR WISCONSIN AREAS - NO. 39, NO. 45, NO. 51

Class I Price Differentials			Supply-Demand Adjustments			Class I Prices			Uniform Prices to Producers** and Producer Butterfat Differentials					
No.39	No.45	No.51	No.39	No.45	No.51	No.39	No.45	No.51	Milwaukee	Northeast	Madison			
cents			cents			dollars			dol. cents		dol. cents		dol. cents	
88	74	88	-24	-24	-24	3.80	3.66	3.80	3.69	6.9	3.42	7.0	3.62	6.9
88	74	88	-24	-24	-24	3.80	3.66	3.80	3.70	6.9	3.44	7.0	3.62	6.9
88	74	88	-24	-24	-24	3.81	3.67	3.81	3.71	6.9	3.45	7.0	3.65	6.9
68	54	68	-24	-24	-24	3.60	3.46	3.60	3.50	6.9	3.31	7.0	3.47	6.9
68	54	68	-24	-24	-24	3.59	3.45	3.59	3.50	6.9	3.30	7.0	3.44	6.9
68	54	68	-24	-24	-24	3.56	3.42	3.56	3.46	6.9	3.27	7.0	3.39	6.9
68	54	68	-24	-24	-24	3.56	3.42	3.56	3.47	6.9	3.28	7.0	3.42	6.9
88	74	88	-24	-24	-24	3.75	3.61	3.75	3.64	6.9	3.46	7.0	3.61	6.9
108	94	108	-24	-24	-24	3.96	3.82	3.96	3.82	7.0	3.62	7.1	3.78	6.9
108	94	108	-24	-24	-24	3.99	3.85	3.99	3.89	7.1	3.69	7.3	3.87	7.1
108	94	108	-24	-20	-24	4.08	3.98	4.08	3.98	7.3	3.74	7.4	3.96	7.3
108	94	108	-24	-16	-24	4.11	4.05	4.11	3.96	7.3	3.76	7.4	3.94	7.3
88	74	88	-24	-16	-24	3.93	3.87	3.93	3.81	7.3	3.63	7.4	3.77	7.3
88	74	88	-24	-20	-24	3.93	3.83	3.93						

** Weighted averages are shown for Milwaukee and all markets when base and excess prices are in effect.

UTILIZATION AND CLASSIFICATION

FEDERAL ORDER NO. 1

— MILWAUKEE MARKET NO. 39 —

I T E M	December 1964		November 1964		December 1963	
	Thousand Pounds	% B'fat	Thousand Pounds	% B'fat	Thousand Pounds	% B'fat
CLASS I MILK						
Packaged Products:						
Fluid Milk	49,279	3.5	45,999	3.5	46,292	3.5
Flavored Milk	1,678	3.6	1,778	3.6	1,583	3.6
2% Skim Milk, Solids Added	4,681	2.1	4,117	2.1	3,425	2.1
" " " , Plain	1,608	2.3	1,558	2.3	1,362	2.2
Skim Milk, Solids Added	2,014	.4	1,906	.4	1,695	.4
Plain Skim	983	.7	921	.7	985	.7
Buttermilk	523	1.0	555	1.1	419	1.1
Flavored Milk Drink	223	.5	213	.5	163	.6
Half & Half	1,172	12.5	1,071	12.4	1,026	12.4
Light Cream	45	18.9	43	19.0	47	19.1
Whipping Cream	280	33.8	276	32.9	263	33.4
Cultured Cream	444	18.9	310	18.9	331	18.6
Subtotal	62,930	3.6	58,747	3.6	57,591	3.6
Bulk Sales to Nonhandlers	335	3.8	586	3.8	699	3.7
Unaccounted for Milk	140	6.9	115	6.2	92	9.7
Total Utilized in Class I	63,405	3.6	59,448	3.6	58,382	3.6
Nonpool Receipts*	-745	4.2	-954	4.1	-109	6.0
CLASS I - PRODUCER MILK	62,660	3.6	58,494	3.6	58,273	3.6
CLASS II MILK						
Eggnog	890	5.9	264	5.3	887	5.4
Bakeries et al.	148	12.8	149	12.6	141	12.1
Cottage Cheese	3,990	1.0	4,135	1.1	3,521	1.0
Cheese	3,906	3.7	1,590	3.5	2,515	3.6
Butter	1,661	8.7	908	11.4	1,091	8.5
Evap., Cond., & Pwd.	2,660	4.1	2,047	4.2	2,913	3.8
Ice Cream & Mixes	2,001	11.8	1,992	11.8	1,880	10.5
Livestock Feed	73		90		59	
Dumped Products	32		8		-	
Skim Equiv. Fort. Prod.	1,602		1,376		1,128	
Ending Inventory	5,003	4.0	6,194	4.0	4,824	4.0
Shrinkage	766	3.7	1,183	3.1	1,231	2.2
Total Utilized in Class II	22,732	4.3	19,936	4.2	20,190	4.0
Nonpool Receipts*	-9,505	3.6	-6,909	3.2	-7,432	3.4
CLASS II - PRODUCER MILK	13,227	4.8	13,027	4.8	12,758	4.4
TOTAL PRODUCER RECEIPTS	75,887	3.8	71,521	3.8	71,031	3.8

NOTE: Bakeries et al. includes products for candy manufacturing, aerated cream, sour cream products not labeled Grade A, and small amounts of eggnog during off-season months.

CLASSIFICATION OF MILK

RS 39, 45, 51

— NORTHEASTERN MARKET NO. 45 —						— MADISON MARKET NO. 51 —					
December 1964		November 1964		December 1963		December 1964		November 1964		December 1963	
Thousand Pounds	% B'fat	Thousand Pounds	% B'fat	Thousand Pounds	% B'fat	Thousand Pounds	% B'fat	Thousand Pounds	% B'fat	Thousand Pounds	% B'fat
19,954	3.5	18,894	3.5	18,778	3.5	11,030	3.5	10,626	3.5	10,227	3.5
1,129	3.6	1,202	3.6	1,037	3.5	669	3.8	732	3.7	624	3.8
1,002	2.1	922	2.1	460	2.1	2,389	2.1	2,263	2.1	2,083	2.1
216	1.9	204	1.9	244	1.9	-	-	-	-	-	-
606	.3	584	.3	642	.3	709	.8	685	.8	630	.8
662	.6	622	.6	577	.6	53	.4	50	.3	57	.3
190	1.0	190	.9	199	.7	151	1.4	151	1.5	142	1.5
115	.7	121	.7	73	.7	25	.4	24	.3	2	1.1
398	12.9	365	12.9	393	12.9	339	12.4	325	12.4	310	12.4
6	21.3	6	23.2	10	17.4	10	27.8	9	28.6	6	23.7
118	35.7	110	36.4	120	34.6	81	34.8	70	34.5	75	34.1
127	19.1	71	19.1	122	19.3	89	19.3	52	19.6	65	21.4
24,523	3.6	23,291	3.6	22,655	3.7	15,545	3.6	14,987	3.5	14,221	3.6
270	4.0	325	3.8	320	4.7	3,234	3.9	4,092	3.9	1,354	4.0
94	5.6	103	5.2	109	8.5	100	13.0	71	5.8	76	4.2
24,887	3.6	23,719	3.6	23,084	3.7	18,879	3.7	19,150	3.6	15,651	3.6
-648	2.9	-551	3.2	-26	1.0	-1,541	4.9	-2,430	4.6	-687	3.6
24,239	3.7	23,168	3.6	23,058	3.7	17,338	3.6	16,720	3.5	14,964	3.6
212	5.7	41	4.7	164	6.5	153	5.3	52	5.5	151	5.6
-	-	-	-	-	-	5	29.0	3	29.0	23	7.1
1,977	1.0	2,037	1.1	1,837	1.0	1,258	.8	1,166	.8	816	1.1
8,426	3.6	5,750	3.6	14,999	3.6	1,741	2.9	953	3.2	2,397	2.9
627	35.4	511	35.4	556	34.7	419	35.8	317	26.3	338	35.1
4,979	.2	3,911	.1	4,599	.1	2,418		1,118		1,954	
1,159	9.5	1,403	8.5	1,374	7.7	605	9.1	671	8.9	563	9.5
89		41		69		78		74		84	
41		18		53		6		6		1	
514		465		432		483		434		453	
2,218	4.1	2,810	4.3	2,254	4.2	1,246	4.0	1,679	4.3	1,190	4.1
452	4.0	465	3.7	512	4.3	326	3.7	285	2.8	260	3.5
20,694	3.8	17,452	3.9	26,849	3.7	8,738	3.8	6,758	3.9	8,230	3.9
-4,097	3.5	-3,457	3.3	-6,579	3.6	-3,025	2.9	-2,243	2.4	-2,136	3.6
16,597	3.9	13,995	4.0	20,270	3.7	5,713	4.4	4,515	4.7	6,094	4.0
40,836	3.7	37,163	3.8	43,328	3.7	23,051	3.8	21,235	3.7	21,058	3.7

* Includes receipts of other source milk, beginning inventory, and overage, all as allocated to classes, and adjustment for Class II interorder transfers shown as Class I.

CLASS I AND RECEIPTS BY MONTHS

POUNDS OF PRODUCER MILK IN CLASS I, ITS PERCENTAGE TO TOTAL PRODUCER MILK WITH TOTALS FOR PRODUCER MILK AND FOR OTHER SOURCE MILK BY WISCONSIN MARKETS

Year and Month	MILWAUKEE, No. 39				NORTHEASTERN, No. 45				MADISON, No. 51			
	CLASS I		From Pro-ducers	Other Source Milk	CLASS I		From Pro-ducers	Other Source Milk	CLASS I		From Pro-ducers	Other Source Milk
	Mil.#	%	Mil.#		Mil.#	%	Mil.#		Mil.#	%	Mil.#	
<u>1963</u>												
Dec.	58.2	82.0	71.0	3.1	23.1	53.2	43.3	4.4	15.0	71.1	21.1	1.8
<u>1964</u>												
Jan.	61.2	83.5	73.4	3.4	24.5	55.0	44.7	5.0	16.0	71.3	22.4	1.8
Feb.	58.0	82.3	70.6	3.4	23.2	57.4	40.4	1.2	15.7	72.5	21.6	1.7
Mar.	59.6	78.8	75.7	3.5	23.7	54.2	43.7	1.3	16.3	70.9	23.1	2.0
Apr.	59.1	81.3	72.7	3.5	23.6	55.6	42.5	1.5	15.1	68.3	22.1	1.9
May	58.0	77.5	74.8	3.6	23.2	52.2	44.4	1.5	13.9	60.9	22.9	2.2
June	54.3	77.5	70.1	3.6	21.7	52.1	41.5	1.7	13.9	67.2	20.8	2.3
July	55.0	81.7	67.2	3.9	24.2	66.3	36.4	2.3	14.6	76.0	19.1	2.7
Aug.	55.7	81.5	68.3	3.8	24.1	69.5	34.6	2.7	14.5	76.4	19.0	2.5
Sep.	58.5	86.0	68.0	4.8	24.0	71.5	33.6	2.3	16.6	82.7	20.1	2.4
Oct.	63.9	88.0	72.6	5.1	25.4	67.6	37.6	2.0	18.5	85.2	21.8	2.6
Nov.	58.5	81.8	71.5	4.0	23.2	62.3	37.2	2.0	16.7	78.7	21.2	3.2
Dec.	62.7	82.6	75.9	4.1	24.2	59.4	40.8	1.9	17.3	75.2	23.1	2.6

FARM NUMBERS AND DELIVERIES

NUMBER OF FARMS AND AVERAGE DAILY DELIVERIES PER FARM BY WISCONSIN MARKETS

Year and Month	MILWAUKEE				NORTHEASTERN				MADISON			
	Number of Farms		Avg. Daily Per Farm		Number of Farms		Avg. Daily Per Farm		Number of Farms		Avg. Daily Per Farm	
	'63	'64	'63	'64	'63	'64	'63	'64	'63	'64	'63	'64
Jan.	2270	2250	990	1056	1374	1421	940	1014	615	642	1028	1125
Feb.	2261	2236	1006	1092	1371	1341	952	1038	651	641	1023	1163
Mar.	2257	2227	1010	1041	1360	1335	959	1055	650	640	1025	1163
Apr.	2242	2211	1019	1100	1355	1334	971	1063	645	635	1047	1158
May	2214	2185	1033	1106	1355	1333	979	1075	639	633	1086	1167
June	2209	2171	1011	1078	1415	1319	976	1050	621	628	1053	1102
July	2222	2181	927	993	1417	1323	814	890	633	635	924	973
Aug.	2241	2232	927	1003	1417	1326	797	843	639	639	892	958
Sep.	2262	2236	946	1019	1438	1317	822	851	650	646	933	1035
Oct.	2269	2268	984	1053	1361	1318	894	920	646	649	1022	1082
Nov.	2259	2257	993	1056	1447	1312	927	944	643	642	1028	1103
Dec.	2256	2252	1021	1090	1447	1311	966	1005	643	645	1056	1153
Avg.	2247	2226	989	1057	1396	1332	916	979	640	640	1010	1098

COMPARATIVE STATISTICS

SELECTED DATA COMPARISONS, WISCONSIN MARKETS

	Order No. 39			Order No. 45			Order No. 51		
	December '64	December '63	Com- parison	December '64	December '63	Com- parison	December '64	December '63	Com- parison
Average Daily:									
Producer Milk, thous. lbs.	2448	2291	+6.9%	1317	1398	-5.8%	744	679	+9.6%
Other Receipts " "	131	105		62	146		137	91	
Gross Class I " "	2045	1883	+8.6%	803	745	+7.8%	593	505	+17.4%
Gross Class II " "	733	651	+12.6%	668	866	-22.9%	288	265	+8.7%
Deliveries per Farm, lbs.	1090	1021	+6.8%	1005	966	+4.0%	1153	1056	+9.2%
Number of Farms	2252	2256	-4	1311	1447	-136	645	643	+2
Avg. Test of Prod. Milk, %	3.82	3.77		3.74	3.70		3.76	3.72	
Number of Handlers:									
Pool Plants	25	25	-	61	65	-4	22	22	-
Other Handlers	5	5	-	5	8	-3	7	9	-2
Producer Milk in Class I, %	82.6	82.0		59.4	53.2		75.2	71.1	
Shrinkage to Total Receipts:									
Product Pounds, %	1.01	1.59		1.28	1.30		1.43	1.31	
Butterfat Pounds, %	1.11	1.15		1.47	1.78		2.24	1.30	

NEARBY FEDERAL ORDER DATA

TOTAL AND CLASS I PRODUCER MILK, WITH RELATED PRICES - DECEMBER 1964

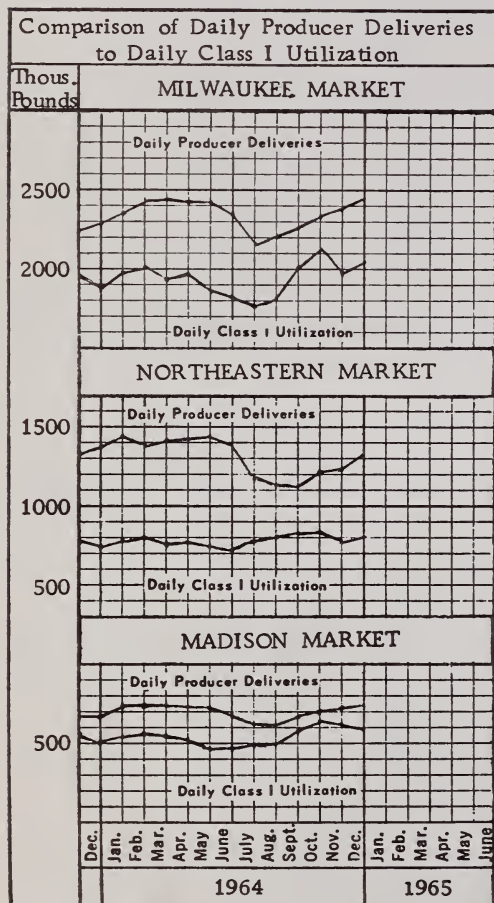
Market	Producer Milk	Class I Milk	Class I Price 3.5% Milk	Producer Price 3.5% Milk
	thous. lbs.	thous. lbs.	\$ per cwt.	\$ per cwt.
Chicago, No. 30	506,592	205,677	3.95	3.64
Duluth-Superior, No. 69	13,878	7,331	4.04	3.51
Madison, No. 51	23,051	17,338	3.93	3.77
Mich. Upper Peninsula, No. 44	9,859	7,425	4.08	3.97
Milwaukee, No. 39	75,887	62,660	3.93	3.81
Minneapolis-St. Paul, No. 68	92,030	59,167	3.975	3.77
Northeastern Wisconsin, No. 45	40,836	24,239	3.87	3.63
Quad Cities-Dubuque, No. 63	22,281	15,323	4.15	3.86
Rock River Valley, No. 38	10,857	9,098	3.97	3.84
Southern Michigan, No. 40	335,172	194,581	4.47	3.93

NOTE: The producer price shown for Michigan Upper Peninsula and Milwaukee is, in each case, the weighted average of minimum pay prices for pool plants, including zone or location differentials. Announced prices for basic zones are quoted in other instances. During base pay periods weighted averages are shown for base and excess prices.

WISCONSIN FEDERAL MILK ORDER BULLETIN

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Federal Milk Market Administrator
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for the
Milwaukee, Northeastern
and Madison Marketing Areas

This bulletin is primarily to provide producers who are not members of cooperative associations with market information in accordance with § 1039.74 of the Milwaukee Wisconsin marketing order, § 1045.75 of the Northeastern Wisconsin marketing order, and § 1051.77 of the Madison Wisconsin marketing order.



LUNCH PROGRAM YOUNGSTERS CONSUME MORE DAIRY PRODUCTS

That the nation's schools provide an increasingly important market for food was evident by an Economic Research Service 1962-63 survey reported in the November issue of Agricultural Marketing magazine. Foods with a wholesale value of \$929 million moved through the school lunchrooms in the 1962-63 session, compared with \$597 million worth of foods 5 years earlier.

Of the total, \$720.6 million worth was purchased locally by schools in 1962-63 with federal, state, and local funds, compared with \$505.1 million worth purchased locally in 1957-58. The remainder, in both years, consisted of foods donated by the Federal government. Larger school enrollments and increased availability of school food services accounted for the bulk of the 56 percent gain in food value, since wholesale food prices rose only about 6 percent during the 5-year period. Some 64 percent of the Nation's 112,000 public and nonprofit schools participated in the Federal program in the 1962-63 year, representing 75 percent of U.S. student enrollment up through high school.

Schools participating in the National School Lunch Program reported higher food consumption per pupil than schools operating a lunch service apart from the Federal program. For milk and milk products, as an example, the per capita consumption in National School Lunch program schools was the equivalent of about 100 pounds of whole milk during the 1962-63 school year, with a wholesale value of \$12.27. Children in nonprogram food service schools consumed the equivalent of 70 pounds each, with a value of \$9.14.

Federal Order Milk, Continued from page 1

marketing area definition. In all but 3 markets, the percentage was above 50 percent. The exceptions were: Boston, which received 65 percent of its producer milk from farms in Vermont; Chicago, with 74 percent of its supply from Wisconsin; and Southeastern New England, with 61 percent of its producer deliveries from farms outside of Massachusetts and Rhode Island.

Every county in 8 States - Connecticut, Delaware, Indiana, New Hampshire, Ohio, Rhode Island, Vermont, and Wisconsin - supplied milk to Federal order plants.

DAIRY FARM POLICY IN THE YEARS AHEAD

Recently the National Agricultural Advisory Commission issued a report on farm policy in the years ahead. We have taken from this report the portion concerning dairying.

"The dairy situation has been complicated by the slow rate of growth of consumption of dairy products and by rapid expansion of milk production on farms staying in the business while many others drop out. Total milk production has been in excess of utilization in private channels of trade. In a number of fluid milk markets, production of fluid-eligible milk under Federal market orders has been well in excess of consumption in fluid form. The result has been depressed blend prices for producers and diversion of supplies to an already overburdened market for manufactured dairy products.

In the absence of any production controls, marketing orders, or price supports for milk, lower prices would depress dairymen's incomes for a protracted period. The most adverse situations might develop in some of the fluid milk markets where local production in excess of consumption in fluid form could force the farm price for all milk down nearly to the manufacturing level. Controls in the form of quantity quotas (with excess production permitted but returning only a very low price to the producer) are potentially effective, but it seems highly unlikely that any national program of this type could be made acceptable to producers in all major producing areas.

The amount of dairy products the Government has had to acquire in supporting prices of manufacturing milk has declined from the peak reached in 1962. Further decline may occur, although this is by no means certain. Prospects for reduced price-support purchases would be increased if excess production in fluid milk markets under marketing orders were to some degree restricted. Continuation of the current price support program appears to be feasible.

The case for tailoring milk production to meet market needs often is clearer to producers in fluid milk markets than to other producers, for local sale of fluid milk prod-

ucts is a tangible measure of how large the attractive part of the market is. Many producers would not choose to expand production further at the lower price for manufacturing milk if they, individually, received only the manufacturing price for the surplus milk. Some producers would cut back production under such circumstances. But when a blend pricing arrangement is used, as is the case under Federal marketing orders, the effect of each individual's overproduction is spread out over so many other producers that each has little incentive to restrain his own production.

A long step forward would be made if blend pricing were eliminated in favor of a pricing plan that returned to each producer only the true value of any extra production, and that penalized him for reduced production only to the extent of the true value of milk he no longer produced. Such a procedure would require allocation of fluid milk quotas to individual producers. The fluid milk price would apply only to quota production and the manufacturing price only to over-quota production (or various modifications could be used to get the desired effect). The result would be higher average prices to fluid milk producers, less vulnerability of fluid milk prices and greater bargaining power for producers' cooperatives as excess supplies diminished, and reduced surpluses in manufacturing milk markets. As a minimum, the use of quotas should be permitted under Federal marketing orders for fluid milk, and such use should be strongly encouraged.

Classified pricing under marketing orders, a method applied in fluid milk markets, might also be applicable to milk for manufacturing. In his paper in the supplement to this report, Juers outlines a plan under which manufacturing milk used in commercial channels would be priced at one level, while milk used for products eligible for sale to the Commodity Credit Corporation as surplus would be priced at a lower level. A pooling arrangement utilizing equalization payments would enable handlers to pay a uniform blend price (with appropriate differentials for fat content, location, etc.) to producers. According to Juers,

"A higher price support level might be established without concern over rising Government expenditures as it would be possible to control the level of expenditures by varying the level of the surplus or CCC price." It might be possible to expand this approach to provide, in effect, for different prices for milk used in different manufactured products, according to the market situation for each, but this approach requires research to develop a workable plan. The benefits of improved income by this means might soon be largely dissipated by increased production unless a quota device similar to the one discussed for fluid use were in operation. This general approach to improvement of producers' income without higher Government costs should be explored. Another approach that should be explored is direct purchases by the Commodity Credit Corporation at the market price of these products.

Some estimates made of reserve supplies needed for national emergencies and to per-

mit continuity of shipments under Government export programs indicate that recent stocks of some dairy products have been unduly low. This is true of nonfat dry milk, for which the deficiency may amount to 350 to 400 million pounds, and, to a lesser extent, of cheese. Building up adequate reserves would be a good way to improve dairy income at a time when drought in some areas and inadequate prices have put producers in an especially difficult position.

The steadily widening spread between the farm price of fluid milk and the price paid by consumers is a cause of great concern to producers who often see the handler's margin rise -- perhaps to cover labor costs -- while the farm price remains the same or even declines. The Department of Agriculture should explore the possibility of regulation, either by administration or legislation, so that under Federal milk marketing orders a substantial portion of any increase in retail prices must go to the producer."